

Covered Electronic Waste Recycling Program – Fee Model and Analysis *(Revised from original RFA to reflect alternative proposed fee scale)*

The Electronic Waste Recycling Act of 2003 (Act) requires CalRecycle to review and to adjust, as necessary, the Covered Electronic Waste Recycling Fee (fee) that funds the covered electronic waste (CEW) recycling program provided for by the Act. The fee is paid by consumers at the time of retail purchase of a new covered electronic device (CED), and is remitted to the State via the Board of Equalization. CalRecycle must annually assure that sufficient revenue is realized from the fee to make CEW recovery and recycling payments to approved CEW collectors and recyclers, as well as fund specific functions at State agencies (CalRecycle, Department of Toxic Substances Control, Board of Equalization, and State Controller's Office) that administer the Act.

Due to recent trends in the volume of CEW recovered, recycled, and claimed within the program, the Electronic Waste Recovery and Recycling Account (EWRRA) is facing a markedly different solvency challenge than it did in FY 2011/12. Today the threat of exhaustion is real, and the EWRRA must increase the reserves through increasing the fee levels. Decisions on the adjustment of the consumer fee must be made before August 1, 2016 to meet statutory deadlines, with potential changes to the fee levels taking effect on January 1, 2017.

The table presented on the following page models the fiscal effects of adjusting to a \$5, \$6, and \$7 fee structure. The model assumes certain variables, most of which remain generally constant over time for the purpose of analysis. It is acknowledged that, while CalRecycle has some degree of control over certain of the assumed variables, such as the recovery and recycling payment rate that can be reset biennially, other variables can only be speculated.

Variables assumed to remain constant include the projected volume of CED sales (approximately 16.3 million units annually – based on data reported along with most recent fee remittals from retailers) and the mix of screen-sizes that will be sold. Another potential variable in the model is the projected volume of CEW managed through the program (approximately 180 million pounds annually).

The model incorporates the CEW combined recovery and recycling payment rate of \$0.49 per pound as readopted by CalRecycle in June 2016. The model also presumes the goal of continued fund solvency assurance through FY 2016/17, while working toward maintaining a 5% prudent reserve provided for by statute (PRC 42464(f) (2)).

The model presumes a targeted average per CED unit revenue level that results in the described impacts on the condition of the EWRRA through FY 2018/19. (The average per CED unit revenue level has been approximately \$3.55 under the current \$3, \$4, and \$5 fee level and historical CED sales volume.)

The model presented in Table 1 shows that a \$5, \$6, and \$7 fee structure will keep the EWRRA fund reserve to an adequate level, while allowing for contingencies in the event of unexpected fiscal developments. The ability of CalRecycle to adjust the fee annually, as necessary, provides significant flexibility in fulfilling statutory obligations and ensuring program solvency by selecting fiscally prudent options in the near-term.

Proposed Adjustments to the Fee Structure
(Revised to reflect alternative proposed fee scale)

The following table presents the fiscal effect of a proposed fee structure of \$5, \$6, and \$7. This model is intended to illustrate fund condition evolution under assumed program administration costs, General Fund loan repayments, CEW recovery and recycling volumes, new recycling payment rates, and CED sales. Initial fund conditions are aligned with fiscal data contained in the Governor’s Budget for FY 2016/17. The model assumes adherence to the existing three-tiered fee levels within established CED screen sizes categories (4” to <15”, 15” to <35”, and 35” or greater).

Fiscal Year	Devices Sold	Avg Fee Revenue per Device	Revenues	Recycling Payments	All Other Expenditures	General Fund Loan Repayments	Fund Balance at Year End
FY 2015/16	15,786	\$ 3.55	\$ 55,725	\$ (73,920)	\$ (24,300)	\$ 107,000	\$ 101,006
FY 2016/17	16,305	\$ 4.51	\$ 70,914	\$ (88,200)	\$ (25,680)	\$ -	\$ 58,335
FY 2017/18	16,305	\$ 5.47	\$ 89,188	\$ (88,200)	\$ (25,680)	\$ -	\$ 33,795
FY 2018/19	16,305	\$ 5.47	\$ 89,188	\$ (88,200)	\$ (25,680)	\$ -	\$ 9,255

Note: Within the above table, all figures are presented in terms of thousands, except for amount of average revenue per device sold.

Assumptions:

No Growth in Pounds of CEW Recovered / Recycled:
Number of Devices Sold to Remain Stable:
Targeted Average Revenue per Device:
Combined Recovery and Recycling Payment:

Volumes stay flat at approximately 180 million pounds per year
Approximately 16,305,000 per year (sales reported with recent fee remittals)
\$ 5.47 (based on projected percentages sold per CED size category, less 3% retailer withhold)
\$ 0.49 per pound